

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

ANNUAL FINANCIAL REPORT
June 30, 2008

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

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Independent Auditor's Report

Executive Committee
Milan Area Fire Department
Milan, Michigan 48160

We have audited the accompanying basic financial statements of the Milan Area Fire Department as of and for the fiscal year ended June 30, 2008. These basic financial statements are the responsibility of the Milan Area Fire Department Executive Committee. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Milan Area Fire Department as of June 30, 2008 and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 5 and on page 18, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Cooley Hehl Wohlgamuth & Carlton, PLLC

September 30, 2008

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

Using this Annual Report

This section of the Milan Area Fire Department Executive Board annual financial report presents the discussion and analysis of the Fire Board's financial performance for the fiscal year ended June 30, 2008. Please read this report in conjunction with the financial statements that follow this section.

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Fire Department.

- The *government-wide financial statement* provides both *long-term* and *short-term* information about the Fire Department's *overall financial status*. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Statement of Revenues, Expenditures and Changes in Fund Balances provides information on the Fire Department's operations under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Department's sources and uses of funds.
- The reconciliation of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2008

Condensed Financial Information

The table below compares key financial information of the government-wide financial statements in a condensed format between the current year and the prior year:

	<u>Net Assets</u>	
	<u>2008</u>	<u>2007</u>
Current assets	\$308,368	\$213,705
Capital assets, net	<u>721,366</u>	<u>769,322</u>
Total assets	<u>1,029,734</u>	<u>983,027</u>
Current liabilities	<u>54,356</u>	<u>37,269</u>
Total liabilities	<u>54,356</u>	<u>37,269</u>
Net assets:		
Invested in capital assets	721,366	769,322
Restricted for capital outlay	<u>254,012</u>	<u>176,436</u>
Total net assets	<u>\$975,378</u>	<u>\$945,758</u>
	<u>Changes in Net Assets</u>	
Revenue:		
Charges for services	\$102,150	\$119,617
Operating contributions	271,919	261,507
Capital contributions	83,300	100,000
Other capital contributions for fire truck	4,920	3,710
Other	<u>3,414</u>	<u>6,941</u>
Total revenue	465,703	491,775
Expenses - Fire Department operations	<u>436,083</u>	<u>426,136</u>
Change in net assets	<u>\$29,620</u>	<u>\$65,639</u>

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The Fire Department as a Whole

- The Milan Area Fire Department was established on July 1, 1980 by an agreement between the City of Milan, London Township, Milan Township, and York Township. The terms of this agreement were replaced with an agreement effective July 1, 2007. This agreement is intended to remain in full force and effect until terminated by the mutual agreement of all of the participating municipalities.
- The Fire Department's net assets increased by \$29,620 this year compared to \$65,639 in the prior year.
- The Fire Department's primary source of revenue is from contributions received from four different municipalities based on a formula derived from their relative state equalized values, square miles, populations, miles of roadway, and number of dwellings.
- Personnel, training and dispatch services continue to be the Fire Department's most significant expense, representing 56 percent of the Fire Department's total expenses. Training programs contributed to an increase of \$5,230.
- Depreciation expense of \$56,224 represents approximately 13 percent of the Fire Department's total expenses. The Fire Department upgrades or replaces equipment after inspections indicate it has reached its full useful life or needs to be replaced due to safety issues. In the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance a decrease in total expenses between the prior year and the current year are due primarily to a reduction in small equipment purchases.

Fire Department Budgetary Highlights for 2007-2008

- The 2007-2008 budget reflected amounts contributed for equipment purchases and capital outlays of \$83,300.
- Due to unexpected changes in dispatch services, utilities, training expenditures, and capital outlays there were several variations between the Fire Department's original and final budget. Also, there was a significant variation between the final budgeted and actual result for fire run wages of \$17,135. These variations will not have an effect on the Fire Department's future services or liquidity.
- The Fire Department's small equipment purchases include the purchase of various items that were not capitalized due to the Fire Department's capitalization policy with a threshold of \$5,000.
- Operating Revenues were adjusted from \$390,971 to \$374,979 to eliminate the excess of revenues over expenditures. Therefore, the municipalities will be credited a total of \$15,992.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

Next Year's Funding (2008-2009)

- Small equipment purchases will continue to be budgeted with operating expenses to properly reflect the Fire Department's capitalization policy.
- The total budgeted operating expenses less amounts budgeted for fire run wages, in the amount of \$301,196 will be billed quarterly to the four municipalities based on the percentages derived from current state equalized values, square miles, populations, miles of roadway, and number of dwellings. The percentages for each unit of government are as follows: the City of Milan - 41.71%, York Township - 22.69%, Milan Township - 15.59%, and London Township - 20.01%.
- Any amount of budgeted operating expenses which goes unused will be credited to the municipalities in the beginning of the next fiscal year. Conversely, actual operating expense in excess of operating revenues will be charged to the municipalities in the next fiscal year. Any amounts due to or from the municipalities will be accrued as of the end of the year to eliminate any excess of revenues over expenditures or excess expenditures over revenues.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Current assets:	
Cash	\$293,182
Due from other governmental units - local	13,938
Due from others	1,248
	<hr/>
Total current assets	308,368
Noncurrent assets:	
Capital assets, net of accumulated depreciation	721,366
	<hr/>
Total Assets	<u><u>\$1,029,734</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$8,008
Accrued payroll	30,356
Due to other governmental units - local	15,992
	<hr/>
Total current liabilities	54,356
	<hr/>
Total Liabilities	54,356
Net Assets	
Invested in capital assets:	
City of Milan	303,506
Milan Township	123,967
York Township	173,402
London Township	120,491
Total invested in capital assets	<hr/> 721,366
Restricted for capital improvement:	
City of Milan	106,703
Milan Township	48,603
York Township	65,194
London Township	33,512
Total restricted for capital improvement	<hr/> 254,012
	<hr/>
Total net assets	975,378
	<hr/>
Total Liabilities and Net Assets	<u><u>\$1,029,734</u></u>

(See accompanying notes to financial statements)

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Statement of Activities
Year Ended June 30, 2008

Function/Program	Expenses	Program Revenue			Net Revenue and Change in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
Fire department services/operations	<u>\$436,083</u>	<u>\$102,150</u>	<u>\$271,919</u>	<u>\$88,220</u>	\$26,206
General Revenue(Expense):					
Interest					2,504
Other revenue					<u>910</u>
Total General Revenue					<u>3,414</u>
Change in Net Assets					29,620
Net Assets - Beginning of Year					<u>945,758</u>
Net Assets - End of Year					<u>\$975,378</u>

(See accompanying notes to financial statements)

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

General Fund
Balance Sheet
June 30, 2008

Assets

Cash	\$293,182
Due from other governmental units - local	13,938
Due from others	<u>1,248</u>
Total Assets	<u><u>\$308,368</u></u>

Liabilities and Fund Balances

Liabilities

Accounts payable	\$8,008
Accrued payroll	30,356
Due to other governmental units - local	<u>15,992</u>
Total Liabilities	54,356

Fund Balances

Reserved:	
Capital improvement	<u>254,012</u>
Total Fund Balance	<u>254,012</u>
Total Liabilities and Fund Balance	<u><u>\$308,368</u></u>

(See accompanying notes to financial statements)

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

General Fund
Reconciliation of Fund Balance to Net Assets
June 30, 2008

Total Fund Balance	\$254,012
Amounts reported in the statement of net assets (page 6) are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	1,264,233
Accumulated depreciation on capital assets does not represent a current outflow of resources and therefore is not recorded in the funds	<u>(542,867)</u>
Total Net Assets	<u><u>\$975,378</u></u>

(See accompanying notes to financial statements)

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2008

Revenues	
Intergovernmental	
Operating contributions	\$271,919
Charges for services	102,150
Other revenue	910
Total Revenues	<u>374,979</u>
Expenditures	
Bookkeeper	16,500
Business meetings, training and mutual aid wages	28,704
Fire run wages	100,865
Officers' wages	37,855
Dispatcher - traffic control	19,000
Payroll preparation	1,851
Payroll taxes	13,180
Gas and oil	5,055
Supplies	6,100
Audit	3,900
Attorney	3,206
Medical exams	2,589
Telephone	1,402
Insurance	42,596
Pagers and cell phones	4,968
Utilities	11,273
Building maintenance	556
Vehicle maintenance	17,495
Equipment maintenance	6,077
Radio maintenance	4,479
Equipment check and housekeeping	3,013
Rent	17,811
Training	6,368
Miscellaneous	2,911
Small equipment	17,225
Total Expenditures	<u>374,979</u>
Excess of Revenues over Expenditures	<u>0</u>
Other Financing Sources (Uses)	
Intergovernmental capital contributions	83,300
Interest	2,504
Other capital contributions for fire truck	4,920
Capital outlay	(13,148)
Total Other Financing Sources	<u>77,576</u>
Net Change in Fund Balances	<u>77,576</u>
Fund Balance - Beginning of Year	<u>176,436</u>
Fund Balance - End of Year	<u><u>\$254,012</u></u>

(See accompanying notes to financial statements)

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2008*

Net Change in Fund Balance	\$77,576
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital Outlays	8,268	
Depreciation	<u>(56,224)</u>	
		<u>(47,956)</u>

Change in Net Assets	<u>\$29,620</u>
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(See accompanying notes to financial statements)

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Notes to Financial Statements
Year Ended June 30, 2008

Note 1 Reporting Entity

The Milan Area Fire Department was established July 1, 1980 by an agreement dated March 20, 1980 between the City of Milan, London Township, Milan Township, and York Township, all located in the Counties of Monroe and Washtenaw. During May, 1990, the units of government involved in the Milan Area Fire Department signed an Amended Agreement which was effective July 1, 1990. The terms of this Amended Agreement were intended to remain in full force and effect until June 30, 2000. The units of government involved with the Milan Area Fire Department signed a letter to extend the Amended Agreement to June 30, 2003. Effective January 1, 2003, this agreement was replaced with an agreement intended to remain in full force and effect to June 30, 2007. Effective July 1, 2007 all prior agreements were replaced with a new agreement between the participating municipalities. This agreement is intended to remain in full force and effect until terminated by the mutual agreement of all of the participating municipalities. This agreement provides the means for operating and financing the Milan Area Fire Department. The Fire Department is governed by an Executive Committee consisting of the Chief Executive of each of the participating units together with one additional member of the governing body from each unit. The purpose of the Fire Department is to provide fire protection to the City and Townships in accordance with the authorization of Act 33, Public Acts of Michigan, 1951.

In accordance with the provisions of NCGA Statement 3 and subsequently given authoritative status by the Governmental Accounting Standards Board (GASB) in its Statement I, the Fire Department is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by NCGA for determining the organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, and special relationships. Oversight responsibility considers the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public services. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens. On this basis, the financial statements of certain other entities are not included in the financial statements of the Milan Area Fire Department.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Fire Department are prepared in accordance with accounting principles generally accepted in the United States of America. The Fire Department's reporting entity applies all relevant GASB pronouncements. The Fire Department also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements. Both statements categorize primary activities as governmental only. The Fire Department does not have any business-type activities. Following are the more significant of the Fire Departments accounting policies.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Notes to Financial Statements
Year Ended June 30, 2008

Note 2 Summary of Significant Accounting Policies (Continued)

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
Government-Wide Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. *Governmental activities* normally, are supported by intergovernmental revenues.

The Statement of Net Assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligation. The Fire Department's net assets are reported in two parts - invested in capital assets, and restricted for capital improvement. The Fire Department did not have any long term debt or obligations during 2007 - 2008.

The Statement of Activities demonstrates the degree to which the expenses of the Fire Department are offset by revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) Charges to local units who use or directly benefit from goods, services, or other privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and donations are not included among program revenues but are properly reported as general revenues.

Fund Financial Statements

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims and judgments, are recorded only when payment is due.

The operations of the Milan Area Fire Department are accounted for in one general fund with its own set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Fire Department. It is the only fund used to account for all financial resources and is presented as a major fund.

B. Deposits

The Fire Department has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are carried at cost.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Notes to Financial Statements
Year Ended June 30, 2008

Note 2 Summary of Significant Accounting Policies (Concluded)

C. Receivables

All receivables are recorded net of any uncollectible amounts.

D. Capital Assets

Capital assets are defined by the Fire Department as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical costs. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 - 15 years
Vehicles	20 years

E. Budget

A budget is adopted by the Fire Department Executive Committee. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect the actual revenues and expenditures for this fund. The budget is adopted at the activity level. The executive committee is authorized to transfer budget amounts within an activity and to make authorized amendments to the original approved budget. Appropriations unused at June 30, are not carried forward to the following fiscal year. Any budgeted operating expenses that are unused are credited to the various governmental units at the beginning of the next fiscal year.

F. Accrued Liabilities

All payables, accrued payroll, and amounts due to other governments are reported in the fund financial statements.

G. Fund Balance Reserves

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose.

Note 3 Deposits

Statutes authorize the Fire Department to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. Banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposits with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds may not be deposited in financial institutions located in states other than Michigan.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Notes to Financial Statements
Year Ended June 30, 2008

Note 3 Deposits (Concluded)

The Fire Department believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Fire Department evaluates each financial institution with which it deposits Fire Department funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Milan Area Fire Department Executive Board has adopted an investment policy and has authorized three depositories: Chase, N.A., Monroe Bank & Trust, and Bank of America.

Interest rate risk. The Fire Department's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Fire Department will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Fire Department's investment policy.

Concentration of credit risk. The Fire Department does not have limits on the amount the Fire Department may deposit in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned or the Fire Department will not be able to recover the collateral securities in the possession of an outside party. As of June 30, 2008, the Fire Department had a carrying amount of \$293,182 invested in checking accounts, savings accounts, and money markets. The bank balances totaled \$312,968. The Fire Department's deposits are insured by the FDIC in the amount of \$226,144, with uninsured deposits of \$86,824. The Fire Department's deposits are at institutions with an established record of fiscal health and service. The Fire Department board approves and designates a list of authorized depository institutions. The Fire Department's policy does not address deposit risk.

The following is a summary of these deposits:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1:		
FDIC insured	\$226,144	\$226,144
Category 3:		
Uninsured and uncollateralized	<u>67,038</u>	<u>86,824</u>
	<u>\$293,182</u>	<u>\$312,968</u>

Foreign currency risk. The Fire Department is not authorized to invest in investments which have this type of risk.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Notes to Financial Statements
Year Ended June 30, 2008

Note 4 Capital Assets

The following is a summary of the changes in capital assets of the Fire Department for the fiscal year ended June 30, 2008:

	Balance at <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2008</u>
Equipment	\$ 79,589	\$ 8,268	\$ -	\$ 87,857
Vehicles	<u>1,176,376</u>	<u>-</u>	<u>-</u>	<u>1,176,376</u>
	1,255,965	8,268	-	1,264,233
Less: Accumulated Depreciation	(486,643)	(56,224)	<u>-</u>	<u>(542,867)</u>
Net Capital Assets	<u>\$ 769,322</u>	<u>\$(47,956)</u>	<u>\$ -</u>	<u>\$ 721,366</u>

Note 5 Intergovernmental Contributions

The Fire Department receives a substantial amount of its revenue in the form of operating and capital contributions from the participating municipalities. The amount of these contributions are calculated annually on a predetermined percentage basis of the Fire Department's budget. These percentages are calculated on the basis of State Equalized Value (70%), service area in acres (5%), population as determined by latest decennial census (10%), miles of roads (5%), and dwelling units, commercial units, industries, schools, and churches (10%).

The following is a summary of amounts billed to the local municipalities for the 2007 - 2008 fiscal year:

<u>Unit</u>	<u>Percentages</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>
City of Milan	42.05%	\$114,342	\$35,028
Milan Township	15.60%	42,419	12,995
London Township	20.74%	56,396	17,276
York Township	21.61%	<u>58,762</u>	<u>18,001</u>
		<u>\$271,919</u>	<u>\$83,300</u>

Note 6 Lease

The Milan area Fire Department leases the fire station from the City of Milan. Under the lease, the Fire Department shall assume and pay all expenses necessary for the operation of the fire station. Rent expense for the fiscal year ended June 30, 2008 was \$17,811. This lease is in effect until June 30, 2008.

Note 7 Dispatching Services

The City of Milan provides dispatching services for the Milan Area Fire Department. Dispatching expense for the fiscal year ended June 30, 2008 was \$19,000.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

Notes to Financial Statements
Year Ended June 30, 2008

- Note 8 Fund Balance-Reserved for Capital Improvement
Any fund balance not otherwise reserved has been set aside by the Executive Committee as Reserved for Capital Improvement.
- Note 9 Risk Management
The Milan Area Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries for which the Fire Department carries commercial insurance.
- Note 10 Related Party Transaction
As stated in Note 6 and Note 7, the Fire Department leases the fire barn and obtains dispatching services from the City of Milan. The City of Milan maintains an ownership interest in the Fire Department.

MILAN AREA FIRE DEPARTMENT
MILAN, MICHIGAN

General Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental				
Operating contributions	\$287,911	\$287,911	\$271,919	(\$15,992)
Charges for services	118,000	118,000	102,150	(15,850)
Other revenue	0	0	910	910
Total Revenues	405,911	405,911	374,979	(30,932)
Expenditures				
Bookkeeper	16,500	16,500	16,500	0
Business meetings, training	29,000	25,398	28,704	(3,306)
Fire run wages	118,000	118,000	100,865	17,135
Officers' wages	37,000	37,000	37,855	(855)
Dispatcher - traffic control	19,000	19,000	19,000	0
Payroll preparation	1,800	1,800	1,851	(51)
Payroll taxes	15,000	15,000	13,180	1,820
Gas and oil	8,500	8,500	5,055	3,445
Supplies	8,500	8,500	6,100	2,400
Audit	4,000	4,000	3,900	100
Attorney	1,500	4,500	3,206	1,294
Medical exams	2,000	2,000	2,589	(589)
Telephone	2,800	2,800	1,402	1,398
Insurance	40,000	43,602	42,596	1,006
Pagers and cell phones	5,000	5,600	4,968	632
Utilities	14,400	14,400	11,273	3,127
Building maintenance	3,000	550	556	(6)
Vehicle maintenance	12,500	16,500	17,495	(995)
Equipment maintenance	10,000	10,000	6,077	3,923
Radio maintenance	3,500	3,500	4,479	(979)
Equipment check and housekeeping	3,100	3,100	3,013	87
Rent	17,811	17,811	17,811	0
Training	8,000	8,000	6,368	1,632
Miscellaneous	4,000	4,000	2,911	1,089
Small equipment	21,000	15,850	17,225	(1,375)
	405,911	405,911	374,979	30,932
Excess of Revenues over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Intergovernmental capital contributions	83,300	83,300	83,300	0
Interest	0	0	2,504	2,504
Other capital contributions for fire truck	0	0	4,920	4,920
Capital outlay	(83,300)	(83,300)	(13,148)	70,152
Total Other Financing Sources (Uses)	0	0	77,576	77,576
Net Change in Fund Balances	0	0	77,576	77,576
Fund Balance - Beginning of Year	176,436	176,436	176,436	0
Fund Balance - End of Year	\$176,436	\$176,436	\$254,012	\$77,576



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Executive Committee
Milan Area Fire Department
Milan, Michigan 48160

Dear Members of the Executive Committee:

In planning and performing our audit of the financial statements of the Milan Area Fire Department as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Department's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, we identified the following deficiency in internal control that we consider to be a significant deficiency:

Financial Statements

As is common with smaller entities, the Fire Department has relied on its independent auditors to assist in the preparation of the government-wide financial statements and footnotes. The Fire Department has decided it is more cost effective to outsource the preparation of its financial statements to the auditors. The result is that the Fire Department does not have controls in place to prepare the government-wide financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America. The Fire Department does carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Executive Committee
Milan Area Fire Department

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The following is not a significant deficiency or a material weakness, but is a comment for your review and consideration.

Operating Expenses Billed

It was noted during our audit that actual operating revenues in the amount of \$390,971 exceeded the actual operating expenses in the amount of \$374,979. The Fire Department was under budget and therefore, the municipalities will be credited a total of \$15,992 to eliminate the excess of revenues over expenditures.

This communication is intended solely for the information and use of the Executive Committee, management, others within the organization, and the applicable departments of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooley Hest Wadsworth & Carlton, PLLC

September 30, 2008